

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2021 Second Round

September 29, 2021

414 Petaluma, located at 414 Petaluma Boulevard North in Petaluma, requested and is being recommended for a reservation of \$2,311,543 in annual federal tax credits to finance the new construction of 43 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by MidPen Housing Corporation and will be located in Senate District 3 and Assembly District 10.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program(s) of HCD.

Project Number CA-21-104

Project Name 414 Petaluma
Site Address: 414 Petaluma Boulevard North
Petaluma, CA 94952 County: Sonoma
Census Tract: 1509.010

Tax Credit Amounts	Federal/Annual *	State/Total
Requested:	\$2,311,543	\$0
Recommended:	\$2,311,543	\$0

* Consolidated Appropriations Act, 2021 (CAA) Federal Credits

Applicant Information

Applicant: MP 414 Petaluma Associates, LP
Contact: Jan M. Lindenthal
Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Phone: 650-356-2900
Email: jlindenthal@midpen-housing.org

General Partner(s) / Principal Owner(s): MP 414 Petaluma LLC
General Partner Type: Nonprofit
Parent Company(ies): Mid-Peninsula Pickering, Inc.
Developer: MidPen Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): MidPen Property Management Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 44
No. & % of Tax Credit Units: 43 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project Based Vouchers (16 Units - 37%)

Information

Set-Aside: N/A
Housing Type: Large Family
Geographic Area: Northern Region
TCAC Project Analyst: Jonghyun(Tommy), Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 16	35%
At or Below 40% AMI: 7	15%
At or Below 50% AMI: 3	5%
At or Below 60% AMI: 17	35%

Unit Mix

2 SRO/Studio Units
19 1-Bedroom Units
12 2-Bedroom Units
11 3-BedroomUnits

44 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 1 Bedroom	30%	\$654
3 2 Bedrooms	30%	\$785
2 3 Bedrooms	30%	\$907
1 1 Bedroom	30%	\$654
1 2 Bedrooms	30%	\$785
1 3 Bedrooms	30%	\$907
6 1 Bedroom	40%	\$873
1 2 Bedrooms	40%	\$1,047
3 3 Bedrooms	50%	\$1,512
2 SRO/Studio	60%	\$1,222
4 1 Bedroom	60%	\$1,309
6 2 Bedrooms	60%	\$1,570
5 3 Bedrooms	60%	\$1,815
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,375,598
Construction Costs	\$22,150,313
Rehabilitation Costs	\$0
Construction Contingency	\$1,447,882
Relocation	\$0
Architectural/Engineering	\$1,361,441
Const. Interest, Perm. Financing	\$1,780,963
Legal Fees	\$75,000
Reserves	\$1,366,328
Other Costs	\$2,407,503
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$35,165,028

Residential

Construction Cost Per Square Foot:	\$482
Per Unit Cost:	\$799,205
True Cash Per Unit Cost*:	\$768,212

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
JP Morgan Chase	\$24,486,288	JP Morgan Chase	\$3,779,000
City of Petaluma ¹	\$2,000,000	City of Petaluma ¹	\$2,000,000
Permanent Local Housing Allocation	\$299,393	Permanent Local Housing Allocation	\$299,393
Sonoma County Fund	\$500,000	Sonoma County Fund	\$500,000
HCD - Joe Serna Jr. ²	\$2,135,156	HCD - No Place Like Home	\$3,598,072
City of Petaluma Fee Waiver	\$263,709	HCD - Joe Serna Jr. ²	\$2,135,156
Accrued/Deferred Interest	\$140,438	City of Petaluma Fee Waiver	\$263,709
Deferred Costs	\$2,246,868	Accrued/Deferred Interest	\$140,438
Deferred Developer Fee	\$1,100,000	Deferred Developer Fee	\$1,100,000
Tax Credit Equity	\$1,993,176	Tax Credit Equity	\$21,349,260
		TOTAL	\$35,165,028

¹City of Petaluma In-Lieu / HOME Fund

²HCD - Joe Serna, Jr. Farmworker Housing Grant Program

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$19,756,780
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$25,683,814
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,311,543
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.92359

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Disaster Credit Tie Breaker Information

First:	No
Second:	Yes
Third:	\$45,279.98

Significant Information / Additional Conditions

Staff noted a per unit development cost of \$799,205. The applicant noted that the cost is attributed to the location of the project and prevailing wage and green building features. In addition, the site requires soil liquefaction requiring the use of drilled displacement columns.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, City of Petaluma, has completed a site review of this project and Strongly supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 minutes in rush hours	5	5	5
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public high school	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Smoke Free Residence	2	2	2
Total Points	109	109	109

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.